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RUEHHI/AMEMBASSY HANOI PRIORITY 9235
RUEHIL/AMEMBASSY ISLAMABAD PRIORITY 0338
RUEHJA/AMEMBASSY JAKARTA PRIORITY 3488
RUEHBUL/AMEMBASSY KABUL PRIORITY 0216
RUEHKT/AMEMBASSY KATHMANDU PRIORITY 2724
RUEHKN/AMEMBASSY KOLONIA PRIORITY 2020
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RUEHKL/AMEMBASSY KUALA LUMPUR PRIORITY 1505
RUEHJM/AMEMBASSY MAJURO PRIORITY 6695
RUEHML/AMEMBASSY MANILA PRIORITY 0651
RUEHNE/AMEMBASSY NEW DELHI PRIORITY 4323
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RUEHKO/AMEMBASSY TOKYO PRIORITY 8722
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RUEHYE/AMEMBASSY YEREVAN PRIORITY 7121
INFO RUEHRL/AMEMBASSY BERLIN PRIORITY 0833
RUEHLO/AMEMBASSY LONDON PRIORITY 3730
RUEHOT/AMEMBASSY OTTAWA PRIORITY 4786
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RUEHRO/AMEMBASSY ROME PRIORITY 0398
RUEHTC/AMEMBASSY THE HAGUE PRIORITY 5070
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SUBJECT: DEMARCHE REQUEST: U.S. DEMONSTRATES SUPPORT FOR
ASIA WITH ASIAN DEVELOPMENT BANK GENERAL CAPITAL INCREASE

¶1. (U) This is an action request. Please see paragraph 7.

SUMMARY

¶2. (U) The United States continues to cultivate strong and vibrant partnerships with countries in the Asia-Pacific region, and these partnerships are ever more important during the current global economic downturn. One of the ways the United States has recently demonstrated its support for the region is through its endorsement of a General Capital Increase (GCI) for the Asian Development Bank (ADB). The United States supports a 200% general capital increase for the Bank, contingent upon Bank management's adoption of reform measures and, second, Congressional support for the increase. The Board of the Asian Development Bank will be formally considering the general capital increase at the May 4 - 5 Annual Meeting in Indonesia. We urge host countries to support the general increase paired with reforms in order to ensure that the Bank continues to contribute most effectively to poverty reduction in the region. End summary.

U.S. COMMITMENT TO ASIA

¶3. (SBU) The United States continues to cultivate strong and vibrant partnerships with countries in the Asia-Pacific region. Our partnerships with countries in this region are even more important during the current global economic downturn. Economic engagement continues to be a core link, with the region accounting for one fourth of global economic output, five of our top ten trading partners, over a quarter of U.S. export sales, and a huge growth in energy demand. Despite this connection, many Asian countries see the U.S. as the main source of the current economic crisis and also believe that we did not do enough to help the region during its financial crisis in the late 1990s.

¶4. (U) The region served by the Asian Development Bank includes Afghanistan and Pakistan. One of this Administration's highest foreign policy priorities is to address the dangerous instability there, with development assistance a key component of our strategy. In 2008, the bank provided over \$8 billion in loans, grants and technical assistance to countries throughout Asia, complementing U.S. bilateral assistance.

ASIAN DEVELOPMENT BANK GENERAL CAPITAL INCREASE AT THE G20

¶5. (U) In an Annex to the April 2 London Summit Communiqué entitled "Declaration on Delivering Resources Through the

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International Financial Institutions," G20 leaders agreed to make an additional \$850 billion available through the International Monetary Fund (IMF) and the multilateral development banks (MDBs). In regard to the Asian Development Bank, G-20 leaders supported "a 200 percent general capital increase at the Asian Development Bank and reviews of the need for capital increases at the Inter-American Development Bank, the African Development Bank and the European Bank for Reconstruction and Development." Total capitalization of the ADB will increase by approximately \$100 billion.

REFORM AGENDA FOR THE ADB

¶6. (SBU) We urge host countries to support the ADB and its programs as well as necessary reforms of the ADB and all multilateral development banks to ensure they effectively contribute to poverty reduction. U.S. support for the general capital increase is contingent upon the ADB's progress on reforms, to which the ADB has positively responded. The Bank has agreed to revise its human resources policies, upgrade risk management functions, and review its current prohibition against publishing its list of sanctioned companies. Another top priority is ensuring that the Bank's safeguard standards are sufficiently robust and provide adequate protection for the environment and people, while protecting borrowers from liability. Full implementation of these commitments will be essential in order to maintain and build Congressional support for a capital infusion to the ADB. ADB board members should be encouraging the Bank to operationalize its commitments to reform.

ACTION REQUEST

¶7. (U) Department requests that Posts deliver the following points to foreign ministries of host countries, recognizing that the lead ministry (or ministries) with respect to multilateral development banks is likely the finance ministry.

-- The Obama Administration recognizes the crucial role that Asia plays in the global economy and in creating a return to sustainable economic growth.

-- Secretary Clinton has expressed America's commitment and eagerness to work with leaders of Asian nations to resolve the economic crisis that threatens many economies in Asia and other regions of the world.

-- Support for Asian Development Bank (ADB) recapitalization is a signal of our commitment to the region at this time of severe global economic stress. We ask for your support for the ADB and its programs.

-- We also recognize the need for continued ADB reforms. We

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ask for your support in encouraging the ADB to be diligent and implement reforms to which it has committed in its March 16, 2009 working paper on the General Capital Increase (GCI).

Our priorities include stronger anti-corruption measures and safeguard standards. Reforms in these areas will enhance the effectiveness and efficiency of the ADB's deployment of funds.

-- U.S. contributions to the Bank will require Congressional approval. Continuing U.S. support for the general capital increase will be contingent upon the ADB's progress on reforms.

-- Some members of the U.S. Congress are concerned about the Bank's inadequate anti-corruption measures and are pressing for regular publication of the list of sanctioned companies. We understand that the ADB is prepared to initiate publication of such lists, and that it is determining the best way to do this without increasing the Bank's liability. We urge your representative to press the Bank to publish this list, as the World Bank and other regional development banks do.

-- We seek your assistance in ensuring that the Bank fulfills all its reform commitments.

-- We encourage other ADB members to adopt and implement strong domestic anti-corruption policies to ensure consistency with international best practices.

18. (U) Please provide a front-channel message with host government response to EAP/EP: Kathy Hadda and EEB/IFD/ODF: Rachel Leatham and Marguerite Siemer by May 1. Department appreciates Posts' assistance with this request.
CLINTON